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FISCAL IMPACT STATEMENT

LS 6939

BILL NUMBER: HB 1220

NOTE PREPARED: Jan 28, 2008

BILL AMENDED: Jan 28, 2008

SUBJECT: Regional Development.

FIRST AUTHOR: Rep. Dobis

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Transportation Tax Areas:* This bill establishes a transportation tax area for the territory within Lake County and Porter County. The bill also provides for an allocation to the transportation tax area from the state Gross Retail and Use taxes collected from the counties. This bill requires the development board of the Northwest Indiana Regional Development Authority to use the allocation for projects related to the West Lake line.

The bill establishes a transportation tax area for the territory within LaPorte County and St. Joseph County. The bill also provides for an allocation to the transportation tax area from the state Gross Retail and Use taxes collected from the counties. This bill requires the board of trustees of the Northwest Indiana Commuter Transportation District to use the tax allocation for certain rail improvement projects in South Bend and Michigan City. The bill also makes an appropriation.

Development Authority Membership: This bill requires a city or county that participates in the Northwest Indiana Regional Development Authority to remain a member for at least 10 years. The bill also prescribes the terms for withdrawing from the Development Authority.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Transportation Tax Areas:* This bill will cause an increase in administrative expenditures for the Department of State Revenue (DOR). The amount of the increase is unknown. The DOR is required under the bill to determine the total amount of Sales and Use tax that should be allocated from the state General Fund to the development board of the Northwest Indiana Regional Development Authority and the board of trustees of the Northwest Indiana Commuter Transportation

District. The DOR will have to adopt rules and procedures to implement the provisions of this bill.

Explanation of State Revenues: *Transportation Tax Areas:* This bill will cause a decrease in state General Fund revenues of approximately \$42.7 M in FY 2009 and \$43.7 M FY 2010.

The bill also makes an annual appropriation from the state General Fund equal to the amount required to make the allocation of Sales and Use tax. The allocated funds are then paid by warrants issued by the Auditor of State to the Treasurer of State ordering the payments each month to the following entities:

- (1) In the case of the Lake/Porter County TTA, the development board of the Northwest Indiana Regional Development Authority.
- (2) In the case of the St. Joseph/La Porte County TTA, the board of trustees of the Northwest Indiana Commuter Transportation District.

The bill provides for this allocation to continue until the TTA expires. The area expires on the earlier of the following:

- (1) December 31 of the calendar year in which the bonds, together with the interest on the bonds, and interest on unpaid installments of interest, and all costs and expenses in connection with an action or a proceeding by or on behalf of the holders are fully met, paid, and discharged.
- (2) December 31, 2043.

Background: Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

The impact on Sales and Use Tax collections is based on the following calculation:

- (1) Determine the estimated amount of Sales and Use taxes collected in the transportation tax area.
- (2) Multiply the amount from (1) by the state General Fund distribution percentage of 49.067%.
- (3) Multiply the amount from (2) by either:
 - 12.46% for the Lake/Porter TTA; or
 - 4.4% for the St. Joseph/La Porte TTA.

Explanation of Local Expenditures: *Transportation Tax Areas:* This bill will cause an increase in administrative expenditures for the development board of the Northwest Indiana Regional Development Authority and the board of trustees of the Northwest Indiana Commuter Transportation District. It is estimated that the provisions of this bill could be implemented through the use of existing staff and resources.

Explanation of Local Revenues: *Transportation Tax Areas:* This bill will increase revenue to the development board of the Northwest Indiana Regional Development Authority by approximately \$35.7 M in FY 2009 and \$36.6 M in FY 2010. Under the bill, the transportation tax area (TTA) in Lake County and Porter County is entitled to receive 12.46% of the Sales and Use Taxes that are collected in the area and deposited in the state General Fund. The bill requires that all of these funds be separately accounted for and used only for the following purposes:

- (1) Providing funding to assist a commuter transportation district in an eligible county in the

construction, reconstruction, renovation, purchase, lease, acquisition, and equipping of the West Lake line.

(2) Using the development authority's funds to match federal grants or make loans, loan guarantees, or grants to facilitate the construction, reconstruction, renovation, purchase, lease, acquisition, and equipping of the West Lake line.

(3) Exercising any other power or duty of the development authority to facilitate the construction, reconstruction, renovation, purchase, lease, acquisition, and equipping of the West Lake line, including the issuance of bonds, the establishment of reserves, the acquisition of property, and the entering into of leases and other agreements.

As used in provision (1) above, "eligible county" refers to Lake and Porter Counties.

This bill will increase revenue to the board of trustees of the Northwest Indiana Commuter Transportation District by approximately \$7 M in FY 2009 and \$7.1 M in FY 2010. The TTA in St. Joseph County and La Porte County is entitled to receive 4.4% of the Sales and Use Taxes that are collected in the area and deposited in the state General Fund. The bill requires that all of these funds be deposited in a segregated capital improvement fund and used only for the following purposes a north central Indiana rail improvement project. Under the bill a north central Indiana rail improvement project is defined as a commuter transportation district project for any of the following purposes:

- (1) Improving access to the South Bend airport.
- (2) Relocating tracks in Michigan City.
- (3) Signal and catenary projects contained within an eligible county.

(Revised) *Development Authority Membership*: The development authority has authority to issue bonds. If repayment is based on the revenue from member counties and cities, requiring counties and cities to remain members of the development authority for a minimum 10 years could have a positive effect on the borrowing capabilities of the development authority. For the member cities and counties, the 10 year requirement could have an inverse effect to the extent that they make a monetary commitment to the authority and may not be able or will to fulfill the obligations.

Under IC 36-7.5-4-2, each city and county transfers \$3.5 M each year to the development authority for deposit in the development authority fund.

State Agencies Affected: Department of State Revenue; Auditor of State; Treasurer of State.

Local Agencies Affected: Development board of the Northwest Indiana Regional Development Authority; Board of Trustees of the Northwest Indiana Commuter Transportation District.

Information Sources: December 13, 2007, State Revenue Forecast.

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